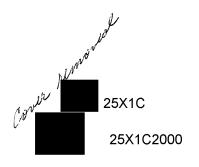
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CURRENT SUPPORT BRIEF

MULTILATERAL SETTLEMENTS INCREASING IN EASTERN EUROPE

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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MULTILATERAL SETTLEMENTS INCREASING IN EASTERN EUROPE

For the first time data have become available which indicate that there has been a great deal of activity going on to promote multilateral trade within Eastern Europe. According to the Eulgarian journal Vunshna Turgoviya the volume of goods agreed to be settled through multilateral clearing from September 1959* to August 1960 amounted to 600 million rubles (\$150 million).** By contrast, multilateral circuits arranged through ECE from July 1959 to June 1960 were valued at \$15.9 million, representing only one fourth of the total of balances originally offered for disposal through the ECE.

Although bilateralism is not being given up as the basic method of conducting trade in the Bloc, its disadvantages are now being recognized and the advantages of multilateralism extolled. In fact Vunshna Turgoviya goes so far as to say "The future belongs to multilateral payments." Multilateralism, it is now said, expands trade beyond the confines of trade agreements, is "more progressive," makes possible a "more meaningful" composition of trade turnover, reduces costs, and utilizes additional production capacity.

CEMA countries have had to restrict their trade because of the necessity to balance receipts and payments bilaterally. As an additional consequence, goods "have been directed from their natural channels and traditional markets... Such goods should not be allowed to leave the area of the socialist world market nor...be involved in a tripartite operation involving one or more capitalist countries."

The new view of multilateralism therefore is not one that is world-wide in scope but rather is confined to the Bloc. But within this area, Vunshna Turgoviya argues, multilateral trade should be unlimited. "Goods from the regular plans for export and import and goods destined for re-export must also be offered."

Since about the middle of 1959, Western European countries have drawn the Eastern European countries increasingly into trade and payments agreements which compel the cessation of bilateral balancing and the acceptance of automatic transferability of balances. (see Table) In these agreements, it is not the Eastern European currencies which are automatically transferable; accounts are held in the currency of the Western European country, and in this currency, which in most cases today is fully convertible, the creditor can demand payment. In practice, where full transferability of balances has been established, agreements typically have meant the termination of swing procedures and increased pressure on the Eastern countries to balance their accounts or make payments in convertible currencies. Since the latter is difficult for them to do, other solutions must be found. (Multilateral clearings through the ECE agent have not been a satisfactory solution, for these have declined steadily.***) Hence, both from within and without the CEMA area, the pressures are on for multilateralization of trade.

^{*}The date of the first "trade meeting" sponsored by the CEMA
Commission for Multilateral Clearing.

**As of December 1960 not all shipments had been contracted for
by the Bloc partners, and as yet no later information is available.

***See CIA/RR-CB-61-17, 16 March 1961.

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Extent of Automatic Transferability of Earnings and Balances of CEMA Countries in the ECE Region*

	Albania	Bulgaria	Czecho- slovakia	East Germany	Hungary	Poland	Rumania	USSR
Austria								Partial
Belgium		Ful1	Fu11**	Full	Fu11	Full	Fu11	Partial
Denmark		Ful1**			Fu11**	Full		Full
France					Partial	Full**	k	Full**
West Germany	Fu11	Full	Full	Fu11	Fu11	Ful1	Full	Full
								Partial
Greece			Full	Fu11				Partial
Iceland	Tr. 17	Full	Full	Full	Ful1	Full	Ful1	Fu.1.1.
Ireland	Full		Full	Full	Full	Ful1	Full	Full
Italy	Full	Full		Full**	Full**	Fu11*	* Full**	Partial
Netherlands	Ful1	Full**	,	Pull	1411			Partial
Norway			Partial		D4401	Dontin	1	
Portugal			Partial	Partial	Partial			Partial
Sweden					Partia1			Full
Switzerland	Ful1	Partial			Partial	Partia	·1.	
Turkey								Partial
UK	Full	Full	Full	Ful1	Ful1	Ful1	Full	Full
Finland			Partial	Partial	-	Partia	:1	Partial
USA	Ful1	Ful1	Fu11	Full	Fu11	Ful1	Full	Full

^{*}Full indicates that all earnings and balances are transferable and Partial means that transferability is applicable to a portion or to obligatory settlement of debts beyond swing limits.

**Since June 1959.

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Analyst: 25X1A Sources:

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